

Message Text

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ORIGIN EB-08

INFO OCT-01 ARA-10 EUR-12 EA-09 NEA-10 IO-13 ISO-00 AGRE-00
SIG-02 SP-02 USIA-15 AID-05 NSC-05 TRSE-00 SS-15
STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-07
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 H-02 DODE-00
PA-02 PRS-01 /141 R

DRAFTED BY EB/ORF/OFD/FPD/FSPILLMAN/FVAZNAUGH/DNOVOTNY:ML
APPROVED BY EB/ORF/OFD/F,D-PDTAYLOR
USDA - SEC. BERGLAND
EB - ASST. SEC. KATZ
USDA/ASST. SEC. HATHAWAY
USDA/FAS - DHUME

-----040254Z 014234 /75-61

P 032256Z MAR 77
FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA PRIORITY
INFO USMISSION EC BRUSSELS PRIORITY
AMEMBASSY CANBERRA PRIORITY
AMEMBASSY ROME PRIORITY
USDEL MTN GENEVA PRIORITY
AMEMBASSY LONDON PRIORITY
AMEMBASSY TOKYO PRIORITY
AMEMBASSY PARIS PRIORITY
AMEMBASSY BONN PRIORITY
AMEMBASSY BUENOS AIRES PRIORITY
AMCONSUL MONTREAL PRIORITY
AMEMBASSY MOSCOW PRIORITY
AMEMBASSY NEW DELHI PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, EAGR

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SUBJECT: WHEAT PRICES; BERGLAND/LANG MEETING

REF: OTTAWA 1112 (NOTAL)

1. AT A PRESS CONFERENCE ON FEBRUARY 25, SECRETARY OF
AGRICULTURE BERGLAND REFERRED TO THE MEETING WHICH UAS
SCHEDULED FOR LATER THAT DAY WITH CANADIAN MINISTER OTTO

LANG, WHO HAS RESPONSIBILITY FOR THE CANADIAN WHEAT BOARD. SECRETARY BERGLAND GAVE THE PRESS HIS VIEWS ON THE DESIR-

ABILITY OF COOPERATING WITH CANADA ON MATTERS OF WHEAT POLICY. THE SECRETARY INDICATED THAT IN HIS MEETING WITH CANADIAN OFFICIALS HE INTENDED TO EXPLORE COMMON PROBLEMS WITH RESPECT TO THE LARGE WHEAT STOCKS BUILD-UP THIS YEAR IN BOTH COUNTRIES. SECRETARY BERGLAND STRESSED TO THE PRESS HIS HOPES FOR THE CREATION OF IMPROVED MARKET CONDITIONS, PARTICULARLY A LESSENING OF VIOLENT PRICE EXTREMES, SINCE HE BELIEVES THAT THIS WILL BENEFIT BOTH PRODUCERS AND CONSUMERS. SECRETARY BERGLAND COMMENTED THAT HE WISHES TO AVOID HAVING THE CURRENT BUILD-UP OF WHEAT STOCKS RESULT IN A FORM OF PRICE WAR, SINCE A SHORT-TERM DEPRESSION OF WORLD WHEAT PRICES WOULD ONLY JEOPARDIZE FUTURE SUPPLY.

2. DURING THE MEETING WITH LANG LATER THAT DAY, IT WAS NOTED THAT GOVERNMENTS OF BOTH CANADA AND THE UNITED STATES WILL BE MAKING DECISIONS IN THE NEAR FUTURE WITH RESPECT TO PRICE SUPPORT MEASURES FOR WHEAT FOR THE APPROACHING 1977 CROP. IT WAS RECOGNIZED THAT THESE DECISIONS COULD HAVE AN IMPORTANT ROLE IN INFLUENCING THE LEVEL OF WORLD WHEAT PRICES IN THE MONTHS AHEAD, AS WELL AS THE COMPETITIVE RELATIONSHIP BETWEEN THE PRICES OF U.S. AND CANADIAN WHEAT IN PARTICULAR. IN THIS CONNECTION, THERE WAS SOME DISCUSSION OF THE RELATIONSHIP BETWEEN THE CANADIAN GUARANTEE AND THE US LOAN RATE, SINCE THE TWO REPRESENT SOMEWHAT DIFFERING CONCEPTS. NO AGREEMENTS WERE MADE ON OPERATIONAL MATTERS. THE SECRETARY AND THE MINISTER CONCURRED

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THAT PERIODIC EXCHANGES OF VIEWS WOULD BE DESIRABLE AND THAT IT MIGHT ALSO BE APPROPRIATE TO INCLUDE REPRESENTATIVES OF OTHER WHEAT TRADING COUNTRIES IN DISCUSSIONS ABOUT MARKET CONDITIONS. THEY CONCURRED IN THE DESIRABILITY OF AT LEAST TEMPERING IF NOT ELIMINATING "BOOM AND BUST" PRICE CYCLES. THEY ALSO CONCURRED THAT THE APPROPRIATE FORUM FOR THE DISCUSSION OF SUCH MATTERS IS IN THE INTERNATIONAL WHEAT COUNCIL IN LONDON. THE USG BELIEVES THAT IS CONSISTENT WITH THE DESIRE TO NEGOTIATE A BROADER AGREEMENT WITH OTHER IMPORTING AND EXPORTING COUNTRIES LATER IN THE YEAR.

3. FOR BACKGROUND OF INFO ADDRESSEES: THE BERGLAND/LANG MEETING TOOK PLACE AT THE INITIATIVE OF MINISTER LANG, APPARENTLY UPON ENCOURAGEMENT FROM CANADIAN WHEAT BOARD AND INDUSTRY OFFICIALS. THERE IS NO INTENT ON THE U.S. SIDE TO ESTABLISH AN ARTIFICIAL LEVEL OF WORLD PRICE. SECRETARY BERGLAND'S INTEREST IN EXPLORATORY DISCUSSIONS OF THE TYPE HELD WITH MINISTER LANG ARE SIMPLY BASED ON

THE IDEA THAT IF MAJOR EXPORTING COUNTRIES COULD FIND WAYS OF REDUCING THE INCIDENCE OF DOWNWARD EXTREMES OF WORLD WHEAT PRICES, THE RESULT WOULD BE TO REDUCE THE INCIDENCE OF EXTREMES ON THE UPPER SIDE AS WELL, AND THAT SUCH CONDITIONS WOULD REPRESENT AN IMPROVEMENT FOR BOTH EXPORTING AND IMPORTING COUNTRIES. FURTHER U.S.-CANADA DISCUSSIONS ARE NOT SCHEDULED AT THIS TIME. ALTHOUGH A LOWER-LEVEL FOLLOW-UP MEETING OF U.S. AND CANADA IS LIKELY, THERE IS AT THIS STAGE NO INDICATION WHERE SUCH DISCUSSIONS MIGHT LEAD.

4. SOME OF THE SUBSEQUENT PRESS REPORTS COVERING THE EVENTS OF FEBRUARY 25 DREW A STRONG CONNECTION BETWEEN SECRETARY BERGLAND'S OBJECTIVES IN MEETING WITH MINISTER LANG AND THE TYPE OF PRICE FIXING THAT IS PRACTICED BY

OPEC. THIS WAS UNFORTUNATE AND WAS ENTIRELY INCONSISTENT UNCLASSIFIED

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WITH THE MEANING WHICH SECRETARY BERGLAND INTENDED TO CONVEY. ADDRESSEES MAY DRAW UPON THE FOREGOING IN RESPONDING TO INQUIRIES.
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